

BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA

In the Matter of the Accusation Against:

JOHN GOODELL
1435 River Park Drive, Suite 400
Sacramento, California 95815

Certified Public Accountant License No. 35366

Respondent.

Case No. AC-2007-41

OAH Case No. 2007110267

DECISION AND ORDER

The attached Stipulated Settlement and Disciplinary Order is hereby adopted by
the California Board of Accountancy as its Decision in this matter.

This Decision shall become effective on April 28, 2008.

It is so ORDERED March 28, 2008.


FOR THE CALIFORNIA BOARD OF ACCOUNTANCY

ORIGINAL

EDMUND G. BROWN JR., Attorney General
of the State of California
ARTHUR D. TAGGART
Supervising Deputy Attorney General
STERLING A. SMITH, State Bar No. 84287
Deputy Attorney General
1300 I Street, Suite 125
P.O. Box 944255
Sacramento, CA 94244-2550
Telephone: (916) 323-3795
Facsimile: (916) 324-5567

Attorneys for Complainant

**BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

JOHN GOODELL
1435 River Park Drive, Suite 400
Sacramento, California 95815

Certified Public Accountant License No. 35366

Respondent.

Case No. AC-2007-41

OAH Case No. 2007110267

**STIPULATED SETTLEMENT AND
DISCIPLINARY ORDER**

IT IS HEREBY STIPULATED AND AGREED by and between the parties to the
above-entitled proceedings that the following matters are true:

PARTIES

1. Carol Sigmann is the Executive Officer of the California Board of
Accountancy (Complainant) brought this action solely in her official capacity and is represented
in this matter by Edmund G. Brown Jr., Attorney General of the State of California, by Sterling
A. Smith, Deputy Attorney General.

2. Respondent John Goodell John Goodell (Respondent) is representing
himself in this proceeding and has chosen not to exercise his right to be represented by legal
counsel.

3. On or about July 30, 1982, the California Board of Accountancy ("Board")
issued Certified Public Accountant License No. 35366 to John Goodell (Respondent). The

1 license will expire on July 31, 2009, unless renewed.

2 JURISDICTION

3 4. Accusation No. AC-2007-41 was filed before the Board, and is currently
4 pending against Respondent. The Accusation and all other statutorily required documents were
5 properly served on Respondent on August 7, 2007. Respondent timely filed his Notice of
6 Defense contesting the Accusation. A copy of Accusation No. AC-2007-41 is attached as exhibit
7 A and incorporated herein by reference.

8 ADVISEMENT AND WAIVERS

9 5. Respondent has carefully read, and understands the charges and allegations
10 in Accusation No. AC-2007-41. Respondent has also carefully read, and understands the effects
11 of this Stipulated Settlement and Disciplinary Order.

12 6. Respondent is fully aware of his legal rights in this matter, including the
13 right to a hearing on the charges and allegations in the Accusation; the right to be represented by
14 counsel at his own expense; the right to confront and cross-examine the witnesses against him;
15 the right to present evidence and to testify on his own behalf; the right to the issuance of
16 subpoenas to compel the attendance of witnesses and the production of documents; the right to
17 reconsideration and court review of an adverse decision; and all other rights accorded by the
18 California Administrative Procedure Act and other applicable laws.

19 7. Respondent voluntarily, knowingly, and intelligently waives and gives up
20 each and every right set forth above.

21 CULPABILITY

22 8. Respondent admits the truth of each and every charge and allegation in
23 Accusation No. AC-2007-41.

24 9. Respondent agrees that his Certified Public Accountant License No. 35366
25 is subject to discipline and he agrees to be bound by the Board's imposition of discipline as set
26 forth in the Disciplinary Order below.

27 ///

28 ///

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28

$$\begin{array}{c} 2 \\ 3 \\ 4 \end{array}$$

5

6
7
8
9
10
11
12
13
14
15

16
17
18

19
20
21

22

23
24
25

26
27
28

1 2. **Submit Written Reports.** Respondent shall submit, within ten (10) days
2 of completion of the quarter, written reports to the Board on a form obtained from the Board.
3 The Respondent shall submit, under penalty of perjury, such other written reports, declarations,
4 and verification of actions as are required. These declarations shall contain statements relative to
5 Respondent's compliance with all the terms and conditions of probation. Respondent shall
6 immediately execute all release of information forms as may be required by the Board or its
7 representatives.

8 3. **Personal Appearances.** Respondent shall, during the period of probation,
9 appear in person at interviews/meetings as directed by the Board or its designated
10 representatives, provided such notification is accomplished in a timely manner:

11 4. **Comply With Probation.** Respondent shall fully comply with the terms
12 and conditions of the probation imposed by the Board and shall cooperate fully with
13 representatives of the Board in its monitoring and investigation of the Respondent's compliance
14 with probation terms and conditions.

15 5. **Practice Investigation.** Respondent shall be subject to, and shall permit,
16 practice investigation of the Respondent's professional practice. Such a practice investigation
17 shall be conducted by representatives of the Board, provided notification of such review is
18 accomplished in a timely manner.

19 6. **Comply With Citations.** Respondent shall comply with all final orders
20 resulting from citations issued by the Board.

21 7. **Tolling of Probation For Out-of-State Residence/Practice.** In the event
22 Respondent should leave California to reside or practice outside this state, Respondent must
23 notify the Board in writing of the dates of departure and return. Periods of non-California
24 residency or practice outside the state shall not apply to reduction of the probationary period, or
25 of any suspension. No obligation imposed herein, including requirements to file written reports,
26 reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise
27 affected by such periods of out-of-state residency or practice except at the written direction of the
28 Board.

8. **Violation of Probation.** If Respondent violates probation in any respect, the Board, after giving Respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against Respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

9. **Completion of Probation.** Upon successful completion of probation, Respondent's license will be fully restored.

10. **Continuing Education Courses.** Respondent shall complete twenty-four (24) hours of professional education courses as specified by the Board or its designee at the time of Respondent's first probation appearance. The professional education courses shall be completed within a period of time designated and specified in writing by the Board or its designee, which time-frame shall be incorporated as a condition of this probation. This shall be in addition to the eighty (80) hours of continuing education requirements for re-licensing or license renewal.

Failure to satisfactorily complete the required courses as scheduled or failure to complete same no later than 100 days prior to the termination of probation shall constitute a violation of probation.

11. **Active License Status.** Respondent shall at all times maintain an active license status with the Board, including during any period of suspension. If the license is expired at the time the Board's decision becomes effective, the license must be renewed within 30 days of the effective date of the decision.

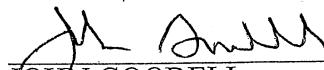
12. **Cost Reimbursement.** Respondent shall reimburse the Board \$18,000. for its investigation and prosecution costs. The payment shall be made by quarterly payments over a period of thirty (30) months submitted concurrently with quarterly written reports.

ACCEPTANCE

I have carefully read the Stipulated Settlement and Disciplinary Order. I understand the stipulation and the effect it will have on my CPA. I enter into this Stipulated

1 Settlement and Disciplinary Order voluntarily, knowingly, and intelligently, and agree to be
2 bound by the Decision and Order of the Board.

3 DATED: 1/7/08.

4
5 
6 JOHN GOODELL
7 Respondent

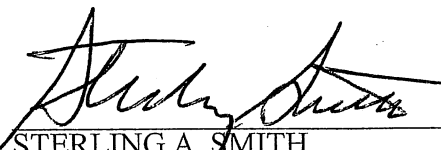
8 ENDORSEMENT

9 The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully
10 submitted for consideration by the Board.

11 DATED: Jan 23, 2008

12 EDMUND G. BROWN JR., Attorney General
13 of the State of California

14 ARTHUR D. TAGGART
15 Supervising Deputy Attorney General

16 
17 STERLING A. SMITH
18 Deputy Attorney General

19 Attorneys for Complainant

20 DOJ Matter ID: SA2007101300
21 Stipulated Settlement.wpd
22
23
24
25
26
27
28

Exhibit A

Accusation No. AC-2007-41

1 EDMUND G. BROWN JR., Attorney General
of the State of California
2 ARTHUR D. TAGGART
Supervising Deputy Attorney General
3 STERLING A. SMITH, State Bar No. 84287
Deputy Attorney General
4 California Department of Justice
1300 I Street, Suite 125
5 P.O. Box 944255
Sacramento, CA 94244-2550
6 Telephone: (916) 323-3795
Facsimile: (916) 324-5567

7 Attorneys for Complainant

8
9 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
10 **DEPARTMENT OF CONSUMER AFFAIRS**
STATE OF CALIFORNIA

11 In the Matter of the Accusation Against:

Case No. AC-2007-41

12 **JOHN LOUIS GOODELL**
1435 River Park Drive, Suite 400
13 Sacramento, CA 95815

ACCUSATION

14 **Certified Public Accountant**
License No. 35366

15
16 Respondent.

17 Complainant alleges:

18 **PARTIES**

19 1. Carol Sigmann (Complainant) brings this Accusation solely in her official
20 capacity as the Executive Officer of the California Board of Accountancy.

21 2. On or about July 30, 1982, the California Board of Accountancy issued
22 Certified Public Accountant License No. 35366 to John Louis Goodell (Respondent). The
23 Certified Public Accountant License was in full force and effect at all times relevant to the
24 charges brought herein and will expire on July 31, 2007, unless renewed. At all relevant times,
25 Respondent was a partner in the accounting firm of Goodell, Porter & Fredericks, LLP.

26 ///

27 ///

28 ///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

JURISDICTION

3. This Accusation is brought before the California Board of Accountancy ("Board") under the authority of the following sections of the Business and Professions Code ("Code").

4. Section 5100 of the Code provides that, after notice of hearing, the Board "may revoke, suspend or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional conduct which includes "dishonesty, fraud, gross negligence, or repeated negligent acts committed in the same or different engagements, for the same or different clients, or any combination of engagements or clients. each resulting in a violation of applicable professional standards that indicate a lack of competency in the practice of public accountancy..."

5. Section 5107 of the Code states, in pertinent part, that the Board's Executive Officer may request the administrative law judge, as part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate, found to have committed a violation or violations of this chapter to pay to the Board all reasonable costs of investigation and prosecution of the case, including, but not limited, to attorney's fees.

6. Section 118, subdivision(b) of the Code provides that the expiration of a license shall not deprive the Board of jurisdiction to proceed with a disciplinary action during the period within which the license may be renewed, restored, reissued or reinstated.

FACTUAL BACKGROUND

7. At all relevant times, Marin Schools Insurance Authority ("MSIA") was and now is a State of California Joint Powers Agency established as a cooperative program of self-funding and risk management of property and liability, workers' compensation, employee vision and dental for Marin County public education agencies. MSIA pools the contributions of participants and uses them to purchase insurance coverage for workers' compensation, property damage, and liability claims. MSIA also uses such contributions to fund liabilities for claims up to the deductibles for such claims, with employee vision and dental contributions used entirely

22
23
24
25
26
27
28

1 for self-insurance purposes. The health care plans are fully insured, and premium payments are
2 billed to each participant district directly from the insurers.

3 8. In or about 2002-2003, MSIA began to offer health care programs,
4 including vision and dental, which were administered by Keenan and Associates. Health care
5 premiums and fees were directly billed to MSIA participants by carriers and administrator
6 Keenan and Associates. At all relevant times, Workers Compensation claims were administered
7 for MSIA by ESIS. No fiscal transactions passed through MSIA, and no health care fund was
8 maintained by MSIA.

9 9. Some time before August 2003, Respondent was engaged by MSIA to
10 perform an audit of MSIA's financial statements for the fiscal year ended June 30, 2003, in
11 accordance with audit standards generally accepted in the United States of America and the
12 standards applicable to financial audits contained in the Government Auditing Standards, issued
13 by the Comptroller of the United States. At all relevant times, Respondent was the engagement
14 partner of and had final responsibility for the MSIA audit.

15 10. On or about August 26, 2003, Respondent issued an "Independent
16 Auditor's Report on Financial Statements" for MSIA for the fiscal year ending on June 30, 2003.
17 ("the Audit Report"), together with an "Independent Auditor's Report on Compliance and on
18 Internal Control Over Financial Reporting Based on Audit of Financial Statements Performed in
19 Accordance with Government Auditing Standards." Respondent represented in the Audit Report,
20 without qualification or reservation, that MSIA's financial statements present fairly, in all
21 material respects, the financial position of MSIA as of June 30, 2003, and that the results of its
22 operations and its cash flows for the year then ended were in conformity with accounting
23 principles generally accepted in the United States of America.

24 **FIRST CAUSE FOR DISCIPLINE**

25 **(For Gross Negligence)**

26 11. Respondent is subject to disciplinary action under Section 5100(c) of the
27 Code in that he committed acts of gross negligence in performing the audit of MSIA and in
28 preparation of the Audit Report by failing to comply with generally accepted auditing standards

1 and/or standards required by the Governmental Accounting Standards Board ("GASB") in the
2 following respects:

3 (a) Respondent failed to adequately plan the MSIA audit or properly
4 supervise his assistants;

5 (b) Respondent's work papers do not document that the audit
6 engagement was adequately planned, to include consideration of MSIA's volatile business
7 climate (particularly with respect to workers' compensation claims) during its 2002-2003 fiscal
8 year, consideration of business conditions that required modification of audit testing, or
9 collection/testing of evidential matter regarding the claims administration services provided for
10 MSIA by claims administrators Keenan and Associates and ESIS, so as to afford a reasonable
11 basis for Respondent's unqualified opinion.

12 (c) Respondent relied upon outdated and/or inadequate information to
13 calculate MSIA's liability for workers' compensation claims, failed to perform testing of relevant
14 claim procedures by ESIS and failed to obtain competent evidential matter available to
15 Respondent, resulting in Respondent's acceptance of financial statements that included
16 an understatement of such liabilities (including claim adjustment expenses) of approximately
17 \$5.1 million.

18 (d) Respondent relied upon outdated and/or inadequate information to
19 calculate MSIA's liabilities for vision and dental claims, failed to perform testing of relevant
20 claim procedures by claims administrator Keenan and Associates and failed to obtain competent
21 evidential matter available to Respondent, resulting in Respondent's acceptance of financial
22 statements that included an understatement of such liabilities (including claim adjustment
23 expenses) by approximately \$15,143 for vision care claims and \$378,463 for dental claims.

24 (e) The Audit Report failed to set forth any qualification of
25 Respondent's stated opinion that MSIA's financial statements present fairly, in all material
26 respects, the financial position of MSIA at June 30, 2003, despite the lack of competent
27 evidential matter regarding MSIA's liabilities for workers' compensation, dental and vision
28 claims.

(f) The Notes to the Financial Statements prepared by Respondent fail to include a description of the number and types of entities participating in the risk pool administered by MSIA as required by GASB 10, paragraph 49.

(g) The Notes to the Financial Statements audited by the Respondent fail to include disclosure that the activities of MSIA are accounted for as an "enterprise fund".

(h) The Notes to the Financial Statements audited by the Respondent fail to disclose condensed financial statements for all joint ventures in which MSIA participated, as required by GASB Statement No. 14, paragraph 75.

(i) The Notes to the Financial Statements audited by the Respondent fail to disclose the tax exempt status of MSIA as required by Accounting Principles Board (APB) No.22, Paragraph 12.

(j) The Notes to the Financial Statements audited by the Respondent fail to disclose that MSIA's management used estimates in preparing its financial statements.

(k) Respondent presented only one year of claims liability reconciliation in violation of GASB 10, Paragraph 49, requiring a two year reconciliation of claims liability.

PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the California Board of Accountancy issue a decision:

A. Revoking, suspending or otherwise imposing discipline upon Certified Public Accountant License No. 35366, issued to John Louis Goodell;

B. Ordering John Louis Goodell to pay the California Board of Accountancy the reasonable costs of the investigation and enforcement of this case, pursuant to Business and Professions Code section 5107; and

///

///

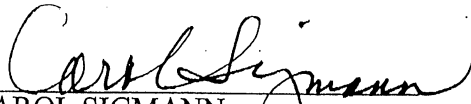
///

///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

C. Taking such other and further action as deemed necessary and proper.

DATED: July 30, 2007


CAROL SIGMANN
Executive Officer
California Board of Accountancy
Department of Consumer Affairs
State of California
Complainant